

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
EXTERNAL AFFAIRS COMMITTEE**

**HELD ON
November 11, 2007
10 a.m., MST**

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Jaime Gutierrez, Chair, called the meeting to order at 10:00 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jaime Gutierrez, Chair (teleconferenced)
Mr. Steven Zeman, Vice-Chair
Dr. Keith Meredith, (teleconferenced)

Absent: Mr. Jim McLaughlin

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of Minutes of the June 1, 2007 EAC Meeting

Mr. Gutierrez asked if there were any corrections or comments on the minutes of the June 1, 2007, EAC meeting. Receiving none, Mr. Gutierrez asked for a motion to approve the minutes.

Motion: Dr. Keith Meredith moved that the External Affairs Committee approve the minutes of the May 4, 2007, EAC meeting. Mr. Steven Zeman seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, the motion was approved.

3. Presentation, Discussion and Appropriate Action on the Final Rulemaking for Administrative Rule Article 2, State Retirement Defined Contribution Program, Section R2-8-202.

Mr. Pat Klein stated that this rule, which pertains to the old System plan, is an amendment to a previous rule that was already passed by the Board. Ms. Dobel explained that the rule making process started in October 2006 when Charlie Chittenden, Actuary, Buck Consultants, made a recommendation to the Board to move to a generational mortality table. The Board approved the motion. Mr. Chittenden also recommended that the Board include tables that provide factors for individuals with high incomes and longer life expectancy. This is a final rulemaking for the rule with both tables. For valuation purposes both tables will be included but for purposes of determining a member's benefit only the generational table will be applied. Mr. Gutierrez inquired about the public meeting. Susanne confirmed there was a public meeting held on August 20, 2007 and no public comments were made. No comments from the committee.

Motion: Mr. Zeman moved to recommend to the full board approval of the final rule R2-8-202 actuarial assumptions which include that for both valuation and benefit determination purposes the System will

use a generational mortality table beginning July 1, 2008 and for valuation purposes only, the System will use a mortality table that incorporates the high income effect beginning July 1, 2008. Dr. Keith Meredith seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, the motion was approved.

4. Presentation, Discussion and Appropriate Action Regarding 2007 Legislative Initiatives.

Mr. Pat Klein said that since May 2007 we have had internal and external meetings with various constituents regarding a variety of topics including Return To Work issues and Employer membership issues. Two critical topics, plan design and RTW, both progressed over the summer and fall very well. We received tremendous input from employer members, active employee and retiree associations, unions and legislative staff. Because many good ideas were received, the RTW proposals will require further study on our part. However, ASRS initiated legislation proposed last legislative session for Plan design will again be introduced this coming session.

Mr. Gutierrez asked for clarification “the proposed draft bill that we have here, these were the ones that the legislature saw in one form or another last year and passed either one or both Houses?” Mr. Klein answered “yes”. Mr. Gutierrez also asked if those legislative issues that were discussed with various stakeholder groups this past summer are they the same as the bills that we are going to see right now or are they different? Mr. Klein answered they are the same as the bills we are going to see now. However, there were a host of other ideas that were offered in those meetings that require further study on our part and those aren’t going to be offered at this meeting.

The committee discussed ASRS initiated proposals regarding:

- Increasing average monthly salary from 36 to 60 months.
- Conforming change to leave of absence salary calculation.
- Increasing normal retirement points from 80 to 85
- Capping employer refunds at 25% with 5 or more years of service.
- Clarifying membership dates.
- Expanding overpayment recoupment procedures
- Modifying recipients of the global security risk report.
- Conforming to EGTRRA (federal law)
- Correcting an improper Internal Revenue Code citation.
- Exempting ASRS from the AZ Unclaimed Property Act and establishing procedures for finding members.
- Moving a Payroll Deduction Agreement to the accepting retirement system if a member transfers out of ASRS.

The committee discussed non-ASRS initiated proposals regarding:

- Sudan divestment
- Transfers Out of ASRS
- Burke Attorney Fees Appropriation

Motion: Mr. Zeman moved that the Committee recommend to the Board of Trustees 2008 legislative initiatives presented by staff except for the transfers out and PDA initiative. The Committee intends that the Board supports all initiatives with the exception of the Rule of 85 and the average monthly salary provisions of which the Board should have a neutral position which shall provide information to the legislature on the impact of the initiatives on the fund. Staff may make all language changes and negotiate if necessary to obtain the most effective and efficient legislative provisions within the construct of today’s discussion. Dr. Meredith seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, the motion was approved.

5. Future EAC Agenda Items

Mr. Gutierrez asked if there were any future agenda items. Mr. Klein suggested that staff continue to inform the EAC on the various initiatives with respective House and Senate committees and sponsors to let the Committee know where we're standing and the comments we received, the 2008 External Affairs calendar, and the Board Governance, EAC charter.

6. Call to the Public

Dr. Bob Letson from Tucson addressed the committee with a comment regarding the changes in the transfer options A, B, C. There is no indication of those changes are for those in the future or for current employees or a condition of employment. Mr. Klein clarified the various options deal prospectively. However, based on how we word the statute it could allow a current member that has a payroll deduction agreement who has transferred previously the opportunity that they didn't have before to transfer assets over sooner rather than later. Mr. Gutierrez added right now we are looking at future employees but depending on what the Board adopts it may impact current payroll deduction agreements. Ms. Dobel added yes, but only at their election.

7. Adjournment of the ASRS External Affairs Committee

Mr. Gutierrez asked for a motion to adjourn.

Motion: Mr. Gutierrez moved that the November 2, 2007, External Affairs Committee meeting be adjourned. Dr. Meredith seconded the motion. By a vote of 3 in favor, 0 opposed, 0 abstentions, the motion was approved.

The EAC meeting was adjourned at 11:10 a.m.

Respectfully Submitted by,

Angela Sockwell
Committee Secretary

Date

Patrick M. Klein
Assistant Director, External Affairs

Date